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IMPROVING THE FINANCIAL SITUATION OF THE UNITED NATIONS

Report of the Secretary-General

Addendum

I. INTRODUCTION

1. The present report updates information on the financial position of the United Nations provided in the Secretary-General's last report on the subject (A/50/666/Add.5), based on contributions received as at 31 July 1996 and projections through the end of the year.

II. STATUS OF CONTRIBUTIONS

2. At the end of July, 83 Member States were fully current in the payment of their regular budget assessments, compared to 60 Member States at the same point in 1995. This distinct improvement reflects the positive response of a number of Member States to the Secretary-General's appeals despite, in some cases, serious economic problems. In spite of this heartening demonstration of support, however, outstanding contributions at 31 July 1996 stood at $827.4 million, of which 74 per cent was accounted for by contributions outstanding from the Member State with the highest rate of assessment.

3. Assessed contributions outstanding at 31 July 1996 for peace-keeping operations ($2.18 billion) and international tribunals ($23.8 million) totalled $2.2 billion, of which $582.7 million was within the 30-day-due period. Approximately half of this total amount outstanding was accounted for by amounts payable by the Member State with the highest rate of assessment.

III. CURRENT CASH POSITION

4. The cash position of the combined General Fund (the regular budget, the Working Capital Fund and the Special Account) is significantly worse than projected in the Secretary-General's earlier report (A/50/666/Add.5). Based on information received by the end of April, it was then assumed that Japan and Germany would pay their regular budget assessments in full by the end of June and that the Member State with the highest rate of assessment would make further payments totalling $165 million by the end of July. Of the latter amount, $80 million had been approved in that Member State's national budget, conditional upon certification by the Government that the United Nations has taken no action to increase "funding for any United Nations programme without identifying an offsetting decrease elsewhere in the United Nations budget". In the event, while Japan and Germany paid their regular budget assessments as anticipated, further receipts from the Member State with the highest rate of assessment amounted to only $78 million by the end of July. As a result, the Secretary-General was obliged to resort to borrowing from peace-keeping accounts earlier than had been anticipated.

IV. GENERAL FUND CASH FLOW PROJECTIONS

5. It is anticipated that the cash position of the combined General Fund will remain negative through the end of 1996. By 31 December 1996, it is currently projected to be a negative $287 million. This forecast reflects a projected payment of $113 million in the period after 1 October 1996 by the Member State with the highest rate of assessment, based on its confirmation that payments after 1 October are expected to at least parallel those of a year ago. At the date of the present report, the Secretariat has no confirmation of whether or when the $80 million provision subject to certification will be paid and it has therefore not been included in the projected combined General Fund balance at 31 December 1996. Estimated payments by other Member States are based on information provided by them or on Secretariat estimates.

V. PEACE-KEEPING CASH FLOW PROJECTIONS

6. As has been emphasized before, cash flow forecasts for peace-keeping operations are much more difficult to make than for the General Fund. The timing and amount of assessments and their impact on patterns of payment make cash flow figures much more volatile than is the case for the regular budget.

7. In the Secretary-General's previous report, it was forecast that total peace-keeping cash would amount to $586 million by the end of 1996. Based on current information, including decisions taken by the General Assembly at its resumed session in June on peace-keeping assessments, this figure has been adjusted to $837 million. This adjustment relates principally to a change in one assumption.

8. In the Secretary-General's earlier report, it was assumed that assessments to be approved in mid-1996 would be reduced by available credits. Such credits arise where aggregate costs in past mandate periods are less than the amounts

assessed for those periods. The current forecast reflects the fact that the General Assembly, in approving some new assessments in mid-1996, did not reduce the amounts assessed by applying available credits. The principal mission affected by this change of assumption was the United Nations Peace Forces headquarters. Available credits were not used to reduce the assessments for the mandate period after 1 July 1996.

9. As to payment for troop and equipment costs, it is now anticipated that these will amount to $350 million through the year, an increase of $50 million from the earlier projection. In addition, a special year-end payment of $275 million is still forecast, based on full receipt by year end of the total anticipated payment of $400 million from the Russian Federation in 1996. On that basis, total debt to Member States for troop and equipment costs would stand at $675 million at 31 December 1996.

VI. CONCLUSION

10. The combined cash position of the United Nations at 31 December 1996 is now projected to be $550 million, based on a negative balance of $287 million for the combined General Fund and a positive balance of $837 million for peace-keeping operations. This reflects an overall improvement compared with the earlier estimate of $388 million, but a worsening of the position of the regular budget.

11. Even if all contributions now forecast are received, the combined General Fund will end the year seriously in deficit and dependent on financially imprudent borrowing from peace-keeping accounts to fund basic continuing functions. Furthermore, the level of peace-keeping assessments is being reduced and will diminish further when the General Assembly decides to apply available credits against future assessments. As a result, the level of peace-keeping cash balances can be expected to decline and, with them, the financial cushion which, together with the debt to troop- and equipment-contributing countries, has allowed the Organization to continue its basic functions despite such an unhealthy cash position.

12. It therefore remains imperative that concerted efforts continue to reduce the level of unpaid assessed contributions so as to strengthen the Organization's overall financial situation and, with it, its capacity to carry out its mandated activities effectively.